

INITIAL RECOMMENDATION SUMMARY FORM

WORKGROUP: PRESERVATION

STRATEGIC ISSUE:
1. Identify recommendations to the QAP that favor preservation
INITIAL RECOMMENDATION(S):
<ol style="list-style-type: none">1. Allocate additional LIHTC to the Preservation Pool as follows:<ul style="list-style-type: none">• Set aside 35% of LIHTC 9% rehab credits for preservation of properties that have federal assistance and where unmet needs exceed \$10,000 per unit.• Utilize 9% LIHTC for those developments that cannot work using 4% LIHTC.• Limit LIHTC to no more than \$500,000 in the 9% Preservation Pool. All applicants requesting more than \$500,000 should either compete for 4% credits or be placed in General Pool.2. Waive certain third-party reports under certain circumstances, or alternatively, permit “short form” reports.3. Eliminate application points for applicants using HOME funds.

STRATEGIC ISSUE:
2. Improve interagency cooperation on inventory and programs.
INITIAL RECOMMENDATION(S):
<ol style="list-style-type: none">1. Convene periodic interagency meetings to insure synergy of preservation goals.2. Create an interagency (MSHDA, HUD, Rural Housing) inventory of federally assisted properties, possibly through a contractor, and design a mechanism for maintaining the database.3. Create an interagency database of preservation programs and design a mechanism for maintaining the database4. Design a mechanism for developers interested in preserving affordable housing to view (possibly web based) the interagency inventory data

INITIAL RECOMMENDATION SUMMARY FORM

WORKGROUP: PRESERVATION

and programs.

5. Conduct a separate joint annual preservation conference for sophisticated developers and investors and participate in the Michigan Affordable Housing Conference.
6. Develop an cross agency marketing plan to advertise preservation programs and consider the possibility of identifying MSHDA/HUD/Rural top 10 most troubled properties.
7. Appoint an interagency team to assist developers interested in completing their due diligence and in understanding programs.
8. Work with HUD to create a certified “decoupling approved lender” process similar to being a MAP lender or Risk Sharing.
9. Consider purchasing foreclosed HUD 202 properties, or other formerly assisted properties, as a local unit of government and remarketing them with tax exempt financing.
10. Create interagency programs with MSHDA tax exempt financing such as USDA Demonstration Program and 202 preservation programs.

STRATEGIC ISSUE:

3. Recommend government funding priorities for preservation and target resources that increase the length and level of preserved affordability.

INITIAL RECOMMENDATION(S):

1. Identify properties most in need of preservation either through risk of converting to market rate or loss of subsidy due to deterioration and target programs accordingly.
2. Set aside enough bond cap to satisfy the demand for preservation of federally assisted properties eligible to prepay their MSHDA mortgages, opt out of their federal subsidy contract or where their affordable use restrictions will soon expire.
3. Set aside 9% LIHTC as noted in the recommendation for changes to the QAP.
4. Allocate HOME funds annually for use with 4% LIHTC transactions, but limit use to properties that are at risk of loss due to deterioration.

INITIAL RECOMMENDATION SUMMARY FORM

WORKGROUP: PRESERVATION

HOME use would require that all other preservation options be exhausted.

5. Consider allocating project-based vouchers for preservation possibly where units are made available for special needs.
6. Consider working with local units of government to combine CDBG with other preservation program.
7. Create preservation programs that provide a combination of the following incentives in exchange for the commitment to increase the length and level of affordability, maximize benefits to residents, and provide needed resident services:
 - Increase limited distributions
 - Higher developer fees
 - Waiving of oversight fees
 - Waiver of minimum rehab requirements
 - Waiver of Tax Abatement requirements
 - Use of federal and state resources such as CDBG, HOME, CDEF, and Project Based Section 8 Vouchers.
8. Consider allowing bonding authority to other municipalities.

STRATEGIC ISSUE:

4. Develop strategies that insure quality of property and asset management.

INITIAL RECOMMENDATION(S):

1. Study other state housing agencies and multifamily lenders to determine best practices in the area of quality property an asset management.
Consider:
 - Initial Scope and minimum rehab requirements
 - Use and benefit of C.N.A.
 - Role of architect, plans and specifications
 - Managing the rehabilitation, including temporary relocation
 - Managing the possible transition in customers – transitioning from rent-based subsidy to LIHTC restricted units.
 - Staff Training, including marketing experience
 - Replacement Reserve requirements, including initial capitalization and required contributions

INITIAL RECOMMENDATION SUMMARY FORM

WORKGROUP: PRESERVATION

2. Develop strategies that insure agent and owners implement best practices.
3. Consider release of Operating Assurance Escrows (to owner, not to RR) when best practices and occupancy objectives are met.

STRATEGIC ISSUE:

5. Recommend and advocate legislation intended to increase preservation.

INITIAL RECOMMENDATION(S):

1. Working with and through appropriate interest groups (e.g. Michigan Housing Council, NSCHA, NLHA, etc.) actively advocate and support the following Congressional initiatives:
 - HR 3715 – Amends the IRS Code - provides an exclusion of gain from qualified sales of multifamily housing. It would also exclude from taxation the property depreciation amount involved in a “qualified sale or exchange of eligible multifamily property. This would act as an incentive for the preservation of affordable rental units.
 - HR 2681 – Affordable Housing Tax Credit Enhancement Act of 2005 - doubles the current LIHTC allocation of \$1.75 per capita to \$3.70 per capita beginning in 2006, yielding twice the number of affordable housing units annually in an attempt to close the affordable housing deficit gap.
 - HR 2636 – Housing Preservation Matching Grant Act of 2005 - authorizes matching grants to states, up to a 2:1 federal to state ratio, for preservation of affordable housing. Grants can be used for acquisition; preservation incentives, operating costs, and capital expenditures to preserve FHA insured properties, project-based Section 8 properties, or projects purchased by residents.
 - HR 3194 – Housing America’s Workforce Act - creates a tax-based Employer Assisted Housing (EAH) program. The bill provides a tax credit to employers, equal to 50 percent of the cost of housing assistance offered to eligible low- and moderate-income employees. Rental assistance can be used toward security deposits and rental payments, while homeownership assistance can be used for such things as subsidizing down payments, closing costs, or contributions to an employee homeownership savings account.
2. Working with and through these same interest groups actively oppose the President’s Advisory Panel on Federal Tax Reform recommendations to eliminate the Low Income Housing Tax Credit.
3. Evaluate and/or recommend the following state or federal initiatives (legislation) that help to promote affordable housing preservation:
 - Michigan – HB 4369 – provides local property tax exemption for certain older shopping malls in Michigan. Apply this concept to older

INITIAL RECOMMENDATION SUMMARY FORM

WORKGROUP: PRESERVATION

housing developments.

- Michigan – amend MCLA 211.7(d) to provide for continued tax abatement for certain elderly and disabled developments that are refinanced but not necessarily owned by a non-profit or municipal entity.
- New York – SO199 – Affordable Housing Property Tax Assessment Bill – requires local assessors to assess affordable housing developments under the income approach to value excluding tax credits, subsidized mortgage financing and project grants.
- Illinois – has its own Illinois Affordable Housing Tax Credit which allows individuals/organizations to donate cash, securities, personal property/real property to participating no-profit housing developers, in exchange for 50-cent credit toward state income tax for every \$1 donated to approved affordable housing creation.
 - Cook County also has a program that provide a 50% tax assessment reduction for Section 8 housing so long as housing remains affordable through HUD’s market-market program. It also has a program granting 50% tax assessment reduction for major rehab.
- Fairfax County, Virginia – offers a preservation tax abatement incentive for owners of buildings 20 years/older. Tax increases on improvements that raise property value by at least 20% are abated for 10 years or longer as long as rentals remain affordable.
- Federal Legislation:
 - Authorize the continued use of Section 8 subsidy on REO family and non 202 elderly developments when purchased by a local unit of government
 - Authorize the transfer of Section 8 contract authority from one region/development of the country to another region/development.
 - Permit existing tenants in a supportive housing development to use Project Based Enhanced vouchers.
 - Limit rent paid by tenants receiving Enhanced Vouchers to pay no more than 30% of their income regardless whether or not it results in a decrease in the residents contribution.

STRATEGIC ISSUE:

6. Understand the complexity and appropriateness of programs and regulations and identify and consider successful funding models.

INITIAL RECOMMENDATION(S):

1. Create and/or revise existing programs to achieve a simplified process through elimination of unnecessary bureaucracy.
2. Create financing models that maximize:
 - Length and level of affordability
 - Benefit to the residents

INITIAL RECOMMENDATION SUMMARY FORM

WORKGROUP: PRESERVATION

- Resident services
 - The number of affordable units preserved
3. Create a tool to assist owners or prospective buyers to properly evaluate and choose the product(s) that best meet the needs of the parties and promotes long-term affordable housing preservation.
 4. Identify and publish successful preservation product offerings.
 5. Convene a team to annually to Identify other funding resources that leverage/supplement preservation products and publish.
 6. Disseminate preservation products and LIHTC information to industry representatives.
 7. Partner with regional and national tax credit syndicators to market preservation products.
 8. Create a bulletin board to match sellers and buyers.

STRATEGIC ISSUE:

7. Identify soft/saturated markets for rentals

INITIAL RECOMMENDATION(S):

1. Commission a statewide market study that identifies the need for affordable housing.
2. Use the statewide study to prioritize or target preservation initiatives and the use of state or federal assistance to write down rents.
3. Underwrite preservation transactions using market study information on rents and vacancy projections.
4. Consider allocation of LIHTC for preservation based on study results.
5. Use study and focus groups to determine need/desirability for various resident services or amenity improvements and the effect they have on rents.